

CAPITALIZATION OF REMITTANCES FOR LOCAL ECONOMIC DEVELOPMENT

(TC-01-06-00-3)

EXECUTIVE SUMMARY

Executing agency:	Nacional Financiera, S.N.C.
Beneficiaries:	The direct beneficiaries of the project are the migrants and local investors in the states of Guanajuato, Zacatecas and Puebla, that have an interest in supporting entrepreneurial-type productive projects in regions of high migration, through mechanisms to be established on the basis of public-private collaboration. The indirect beneficiaries will be the new and small enterprises that will receive technical assistance in the preparation of business plans and consulting services in the start-up stage of business operations.
Objectives and description:	The project's general objective is to help strengthen the competitiveness of the local communities, leading to increased revenue and employment in regions of high migration in Mexico. The specific objective is to establish or strengthen pilot mechanisms in each of the three states of Guanajuato, Zacatecas and Puebla for channeling remittances to productive entrepreneurial projects with the participation of local government, local private investors and clubs of Mexican migrants abroad. The migrant clubs in the United States, recognized as major political and economic players, have assumed an active role in the development of their native communities. Many of these organizations sponsor community development projects on their own, and have begun to pool their members' funds, funneling them to entrepreneurial projects in their respective home towns. The project will leverage these new, fast-growing remittance flows to stimulate their growth and channel them for productive use.
Components:	<p>To achieve its objective, the project will consist of four components:</p> <ol style="list-style-type: none">1. Development of public-private collaboration. Sustainable public and private sector collaborative activities will be developed in each of the three states, with the active participation of local investors and migrants, geared to the development and strengthening of local competitiveness. This component will promote local development by establishing effective channels of information, communication and cooperation between the public and private sectors, and between the Mexican community abroad and its local counterparts.

2. **Strategic plan for the local private sector.** A strategic plan in each participating state will be formulated to take better advantage of the potential of high migration areas and to include them in a strategy for strengthening the competitiveness of the local private sector, attracting locally available know-how and resources.
3. **Development of productive investment projects.** Investment opportunities through specific proposals for productive entrepreneurial projects will be defined. Local investors and Mexican migrants in the United States will be sought to structure and manage these projects in the pre-operational stages.
4. **Outreach workshops.** Broader segments of the private sector will be informed of the project's outcomes, identifying and attracting new sources of financing for the productive projects in Component 3 that still require it or for replicating or expanding the scale of current projects.

Financing:

Modality: Grant (Facility III-A)

MIF	US\$1,115,000
Local counterpart:	<u>US\$1,117,000</u>
Total:	US\$2,232,000

Execution timetable:

Execution period:	30 months
Disbursement period:	36 months

Environmental and social review:

The Committee on Environment and Social Impact (CESI) reviewed and approved the proposed project at its 5 October 2001 meeting (TRG 36-01). All comments at that meeting have been taken into account (paragraph 6.06).

Special contractual clauses:

The conditions precedent to the first disbursement will require the executing agency to submit the following: (i) proof that each of the participating state governments, the Hometown Associations involved in the project in each state and NAFIN have signed an agreement in which they pledge to contribute resources to the project; and (ii) proof that a general coordinator has been hired (paragraph 9.01). Prior to the disbursement of funds for Components 2, 3 and 4, the executing agency must submit evidence to the Bank that the civil association and trust in each participating state have been established, the operating rules have been approved as provided in the project, and the State Coordinator has been hired in each state (paragraph 9.02).

Exceptions to Bank policy:

None.